

## Message Text

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ACTION SS-25

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S E C R E T LISBON 304

EXDIS

DELIVER OPENING OF BUSINESS JAN. 20

E.O. 11652: GDS

TAGS: PFOR, PO

SUBJ: PORTUGAL: SOARES SEES CRITICAL SITUATION

SUMMARY: FONMIN SOARES SEES CURRENT POLITICAL SITUATION AS CRITICAL. STATES SOCIALISTS HAVE LOST BATTLE AGAINST UNITARY LABOR LAW TO COMMUNISTS AND ARMED FORCES MOVEMENT. SAYS SOCIALISTS CONSIDERING LEAVING COALITION, ALTHOUGH HE STRONGLY OPPOSES THIS AND BELIEVES HE CAN CARRY PARTY WITH HIM. IF SOCIALISTS WERE TO LEAVE COALITION, HOWEVER, PPD WOULD FOLLOW. IN THAT EVENT MOST LIKELY OUTCOME WOULD BE DIRECT MILITARY RULE TACITLY SUPPORTED BY COMMUNISTS. END SUMMARY.

1. DCM OKUN AND I HAD TWO-HOUR TALK WITH FONMIN SOARES JAN. 18. HE WAS ACCOMPANIED BY HIS CHIEF OF CABINET AND MAIN DIPLOMATIC AIDE. CONGRESSMEN DIGGS AND BURKE WERE ALSO PRESENT, AS WERE OTHERS, FOR PARTS OF CONVERSATION.

2. SOARES LOST NO TIME IN TELLING US HOW CRITICAL CURRENT DOMESTIC POLITICAL SCENE LOOKS TO HIM. ACCORDING TO SOARES, ISSUE OF UNITARY LABOR LAW BROUGHT ALREADY DETERIORATING

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SITUATION TO A HEAD WITHIN COALITION GOVERNMENT.

3. COUNCIL OF MINISTERS MET JAN. 17 FOR TEN HOURS TO DISCUSS PROPOSED LABOR LAW AND IS TO RECONVENE FOR FURTHER DISCUSSION AND DECISION AFTERNOON OF JAN. 20. BUT, ACCORDING TO SOARES, THE AFM AND THE COMMUNISTS WILL VOTE AS A BLOC IN FAVOR OF THE LAW AND IT WILL BE APPROVED. "WE WILL LOSE," HE SAID, "ON A VERY CRITICAL ISSUE."

4. SOARES BITTERLY CRITICIZED PRIME MINISTER GONCALVES' ATTITUDE AT JAN. 17 MEETING. TOLD US HE HAD SOUGHT TO IMPRESS UPON GONCALVES THAT EVEN COMMUNIST COUNTRIES DO NOT HAVE UNITARY LABOR LAW, SUCH AS ENVISAGED IN CURRENT PORTUGUESE DRAFT. WHEN HE MADE POINT TO GONCALVES THAT UNITARY LABOR ORGANIZATION WAS NOT NECESSARY FOR MEMBERSHIP IN ILO, THE PRIME MINISTER DISMISSED THE ILO AS A "REACTIONARY ORGANIZATION."

5. SOARES TOLD US SOCIALIST LEADERSHIP WOULD BE MEETING TODAY TO DECIDE WHETHER TO LEAVE GOVERNING COALITION IF, AS EXPECTED, UNITARY LABOR LAW IS ADOPTED ON JAN. 20. HE PERSONALLY OPPOSED A WALKOUT, REGARDING IT AS SELF-DEFEATING, AND THINKS HE CAN CARRY 14-MAN LEADERSHIP WITH HIM. IF SOCIALISTS SHOULD WALK OUT, SOARES SAID POPULAR/DEMOCRATS WOULD FOLLOW (DITTO IF SOCIALISTS STAY IN).

6. IN RESPONSE TO QUESTION ON WHAT WOULD ENSUE SHOULD SOCIALIST WALK OUT, SOARES SAID THERE WERE TWO POSSIBILITIES: (A) GOVERNMENT BY A SPURIOUS "COALITION" OF COMMUNIST PARTY AND THEIR FRONT GROUPS; OR (B) DIRECT MILITARY RULE WITH TACIT COMMUNIST SUPPORT. OF THESE TWO HYPOTHESES, HE THINKS DIRECT MILITARY RULE MORE LIKELY. IF THAT WERE TO HAPPEN, ELECTIONS SCHEDULED FOR MARCH/APRIL WOULD NOT TAKE PLACE SINCE COMMUNISTS HAVE VIGOROUSLY OPPOSED THEM. "REMEMBER," HE SAID, "WE DO NOT YET HAVE DEMOCRACY IN PORTUGAL. WE HAVE THE PRE-CONDITIONS FOR IT BUT WILL HAVE A DEMOCRACY ONLY WHEN FREE ELECTIONS TAKE PLACE."

7. IN ANSWER TO A QUERY RE ACTIONS OF SOCIALIST PARTY IF EITHER OF TWO HYPOTHESES SHOULD EVENTUATE, SOARES SAID SOCIALISTS WOULD RETURN TO OPPOSITION AS THEY HAD IN PAST. OPPOSITION THIS TIME WOULD BE LEGAL AT LEAST "IN FIRST PHASE."

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8. I NOTED TO SOARES THAT HIS ASSESSMENT OF CURRENT PORTUGUESE POLITICAL SCENE WAS QUITE GLOOMY. HE SHRUGGED AND POINTED TO COMMUNIST CONTROL OF MEDIA AND OF THE ORGANIZATIONAL STRUCTURE OF THE UNIONS. WHILE ARMED FORCES MOVEMENT IS NOT COMMUNIST, SOME MEMBERS ARE AND AFM IS WILLING TOOL OF COMMUNISTS IN CURRENT STRUGGLE OVER LABOR LAW. HIS TWO AIDES SPECULATED ON POSSIBILITY OF "CASTRO-LIKE" MILITARY ANNOUNCEMENT THIS WEEK.

9. COMMENT: WHILE I DON'T KNOW SOARES HE STRUCK ME AS NERVOUS MAN WHO WANTED TO TALK ABOUT HIS PROBLEMS. SOME OF HIS FATIGUE CAN BE ASCRIBED TO ANGOLAN NEGOTIATIONS. SOME OF HIS PESSIMISM MAY BE CALCULATED FOR EFFECT. ALSO NOT CLEAR WHETHER HIS PRINCIPLE CONCERN IS FUTURE OF COUNTRY OR PARTY, PARTICULARLY SINCE HIS CONTROL OVER LATTER MAY WELL BE AT ISSUE.

10. NEVERTHELESS THERE LITTLE DOUBT THAT WHATEVER OUTCOME OF PRESENT STRUGGLE, BATTLE LINES NOW BEING DRAWN MORE CLEARLY THAN EVER BEFORE. IF SOCIALISTS AND PPD DO LOSE ON MONDAY AND STAY IN GOVERNMENT, THEY INTEND TO MAKE LABOR LAW AN ELECTION ISSUE. BUT EVEN IF THEY CONTROL CONSTITUENT ASSEMBLY, SOARES CONCEDED THAT HE COULDN'T IMMEDIATELY REVERSE LABOR LAW DECISION BECAUSE OF FEAR OF MILITARY INTERVENTION. THIS UNDERSCORES MOST TROUBLING ASPECT OF STRUGGLE OVER LABOR LAW; THE WILLINGNESS OF THE AFM TO GO ALONG--WITTINGLY OR OTHERWISE-- WITH THE COMMUNISTS ON A HIGHLY VISIBLE AND IMPORTANT ISSUE. MOST OPTIMISTIC ASPECT OF BAD SITUATION IS THAT SOCIALISTS SEEM FINALLY AWAKENED TO FACT THAT CURRENT DRIFT OF GOP POSES A VERY REAL THREAT TO THEM AS A PARTY.  
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